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SUBJECT: AFRICAN LEADERS CONSULTED IN RUN-UP TO APRIL
LONDON ECONOMIC SUMMIT

11. (SBU) Summary. Prime Minister Gordon Brown hosted African leaders (listed in para 17) in London at a consultative pre-London Economic Summit meeting on March 16, where African leaders delivered pre-agreed positions and a statement on proposals for the G20 to mitigate the worst effects of the global economic crisis in Africa. HMG officials said discussions focused on a UK-proposed framework of five themes, which Brown highlighted in his remarks (para 18). These were Financing for African Countries; Social Safety Nets for the Poorest; Governance Reform; Trade and Trade Finance; and Tax Havens.

12. (SBU) Summary continued. While the African leaders' finalized statement has not yet been released, their main points, according to HMG contacts, included the following:

- Impact of the global recession is unknown and will be highly individualized.
- Aid disbursements should be accelerated.
- The IMF Board should seriously consider selling gold reserves to raise additional funds and to increase the allocation of Special Drawing Rights (SDR).
- As African countries are squeezed from the capital markets, additional capital from the African Development Bank is increasingly important.

- Africa needs more market access; protectionism is not an appropriate response. Trade finance needs special attention.

- Reform of the IFIs is important, and Africans would like additional votes and more voice. End summary.

UK Objectives

¶3. (SBU) Prime Minister Gordon Brown and senior British officials hosted in London March 16 African leaders (see para 17) to discuss practical proposals, for consideration at the Lunch Economic Summit, to mitigate the worst effects of the global economic crisis in Africa. The UK's core objective in the day long event was to engage African leaders and Finance Ministers and advance its development policy agenda. HMG officials gave us a detailed read-out of these objectives and the meeting.

¶4. (SBU) The UK's policy views are based on five themes:

- Financing for African Countries: International Financial Institution (IFI) and Multilateral Development Bank (MDB) lending needs to reflect changed circumstances and radically change conditionalities as a consequence. Leveraging additional resources from donors, the World Bank (WB), International Monetary Fund (IMF), and the African Development Bank over the next three years will be critical, in London's view. Equally the international community must be ready to revisit the way in which resources are allocated

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in response to the crisis, quickly deploying slow spending funds into fast distribution instruments, being prepared to revisit the performance based allocation system and further reduce the weight of conditionality, including within an enhanced Exogenous Shocks Facility (ESF) and Poverty Reduction and Growth Facility (PRGF). G20 countries should urge MDBs to make more use of their balance sheets to release more finance, relax and/or eliminate IMF lending conditions, and urge the World Bank to front-load International Development Association (IDA) finance, abolish caps on Development Policy Lending including IDA, allow IDA-only countries with sustainable debt positions to access IBRD funds, reconsider limits on individual country borrowing, continue monitoring and assessing Africa's financing needs, and work with finance institutions to reduce the costs of remittances.

- Social Safety Nets for the Poorest: There is risk that the global economic crisis will disproportionately impact the poor and vulnerable. HMG, therefore, pressed Africa leaders to affirm the need to strengthen social safety nets, and G20 countries should provide resources to a new Global Rapid Social Response Fund which could be used to protect the poorest, ensuring that development gains are not lost.

- Governance Reform: IFI governance reform should strengthen political accountability and effectiveness. Britain wants G20 countries to commit to principles, a process and timetable for reform, building on commitments made at World Bank Annual meetings and the Washington Summit, that strengthen accountability of management through merit-based selection; accelerate work on voting reform in the World Bank Group; and reform the World Bank to give developing countries more say in decision-making at all levels. Such reforms should be supported by ratification of the April 2008 IMF quota and voice reform and increase access limits under the PRGF and ESF.

- Trade and Trade Finance: Increased trade and greater integration into the global economy is vital if African economies are to grow and thrive. While global trade is predicted to decline this year, G20 countries should commit to an ambitious and development-focused conclusion of the

Doha Trade Round as soon as possible and refrain from raising protectionist barriers to trade and investment. Trade finance availability and affordability is central to ensure that trade flow continues, and G20 members should support, including through contributions, the World Bank's proposal to create a Global Trade Liquidity Pool to ease trade finance gaps.

- Tax Havens: Governments' ability to protect their tax bases is an essential part of economic development, and G20 countries should take action to tackle tax havens.

African Leaders Conference Interventions

Ethiopia

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15. (SBU) Ethiopian Prime Minister Meles Zenawi set out three core issues that were important for Africa: first, IFI reform; second, African voices and votes in IFIs; and, third, modifications of the World Bank's Country Policy and Institutional Assessment tool to rate countries on performance. On financing issues, Meles said that sources of finance need to be easily accessible and disbursement should be accelerated. Additional issuances of SDRs are required and should not be tied to IMF program. Furthermore, the IMF Board should seriously consider selling IMF gold reserves to raise additional funds. With respect to the MDBs, Meles said more money needs to be leveraged from MDBs, including recapitalizing ADB and IBRD resources to make them more widely accessible.

South Africa

16. (SBU) South African Finance Minister Trevor Manuel said that the impact of the global recession in Africa is not known yet and will be highly individualized. Manuel said initial assessments of the most recent data indicate how difficult it is to analyze the impact of the global economic crisis on Africa. Angola is in the worst position: after 15% growth last year, its economy is expected to contract 7% this year. The situation has resulted in a huge dip in revenue for all countries. Commodity prices have fallen, current accounts are in deficit, remittances have dried up, returns from company taxation have fallen, and capital flows have been withdrawn. Countries that had been able to access money from capital markets are finding that this has dried up also. Manuel also said that the issue of trade finance needs to be given special attention. As African countries are squeezed out of capital markets, additional ADB capital becomes increasingly important. Manuel said, "It is essential that the IMF has the firepower to support countries that need it."

17. (SBU) In discussing the IFIs, Manuel said the IMF's "one size fits all" approach should be stopped. The IMF needs to be able to deliver flexibly, allowing countries to use a tool box of measures. Difficulties, according to Manuel, were arising around the table at the IMF Executive Board, and there needs to be equality of treatment. Finally, Manuel welcomed the WB's proposal that donor countries allocate 0.7% of fiscal stimulus packages to the WB's Vulnerability Fund, though he noted issues of eligibility and conditionality would need to be resolved.

Egypt

18. (SBU) Egyptian Finance Minister Yousef Boutros-Ghali highlighted that, although substance is important, the form with which assistance is conveyed is more important. It is essential to look at the immediate feasibility of delivering

assistance and not promise things that will take years to deliver. In countries that have reached their IFI facility limits, he argued, limits should be doubled. Money is not

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fungible between budget lines at the IMF and must be concessional from the start. SDR allocations need to be ratified by 85% of the voters, making them a largely long-term measure. Boutros-Ghali also said facilities need to be easily accessible, for example through IDA.

Botswana

¶9. (SBU) Botswana President Ian Khama highlighted the loss of diamond revenues in Botswana. He argued that it is important that international commitments made at Gleneagles are honored. Flexibility needs to be widely extended, and interventions need to be rapid. He noted that even countries that have reached MDG-defined Medium Income Country status, such as Botswana, are seeing a downgrading of their credit rating. He said migration will increase if countries cannot provide for their people.

¶10. (SBU) Botswana Central Bank Governor Linak Mohoholo emphasized that Africa wants to be part of the solution and should not be at a distance from it. The C10 underscored the need to acknowledge African progress on governance and wanted to maintain those governance gains.

Tanzania

¶11. (SBU) Tanzanian President Jakaya Kikwete said that "Africa is not responsible, but Africa is suffering." In reality, African economies will decline, and more people will fall into poverty. The issue, Kikwete said, is not one of resources but of political will on the part of donors. Africa needs additional resources and talk of cutting aid will only increase the number of people in poverty. He argued that developed countries must keep their development promises and actually deliver additional resources in innovative ways, including through debt relief. If Africa was allowed to roll backwards, he suggested, there will be more Darfurs and Somalias, and more ICC indictments. "How many more people will you indict?"

Liberia

¶12. (SBU) Liberian President Johnson-Sirleaf said that additional assistance is important, but availability is just as important. It may be better to look at existing facilities, enhancing those and enabling easier access. Private capital is the engine of growth, she argued, and investment in all sectors is needed, including agriculture, forestry, and mining. Long-term facilities are required within the IFIs to enable companies to continue investing.

Kenya

¶13. (SBU) Kenyan Prime Minister Raila Odinga said the economic crisis is a global problem, requiring a global solution. He said Africa needs more market access and

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support on debt servicing, while also noting Africa's resolve to fight global warming. Africa, he said, is suffering from extremes of weather, from drought to flooding, and five million people are facing starvation in Kenya, which undermines our ability to deal with the economic crisis. Protectionism, he said, is not an appropriate response because Africa needs more market access.

UK Response to African Leaders

¶14. (SBU) In response, UK Financial Secretary to the Treasury Stephen Timms said he was hearing a good degree of agreement on what needed to be done and concurred with the need to protect the most vulnerable. Following the G20 Finance Ministers' meeting, Timms noted that while there are still many issues to be resolved, there are encouraging signs about IMF resource increases. He said the importance of maintaining commitments to the MDGs and climate change is clear. He also explained that Switzerland had recently made changes to provide more information on tax havens, a historic shift and an example of an international willingness to look at these issues.

¶15. (SBU) UK Development Junior Minister for Africa Ivan Lewis welcomed the "frank and credible voices" from Africa. He said the narrative and substance are important and practical measures will make a difference; access is clearly of crucial importance. Lewis said the international community needs to move quickly and nimbly, differentiating growth measures from poverty reduction measures. UK Foreign Office Minister for Africa Mark Malloch-Brown said he took from the discussion two main points: the international community needs to honor the pledges they have made and that both additional resources and access are crucial.

¶16. (SBU) PM Brown concluded the discussion by saying he wants to look at ways to raise hundreds of billions in extra resources. Bringing back confidence, ending irresponsible practices, and bringing shadow banking practices in to the real markets are priorities. He noted that tax havens are now saying that they will abide by international rules and that the proper regulatory systems need to be re-built. Brown emphasized the UK's commitment to ODA targets and said he would encourage others to meet their ODA. He also said President Obama had agreed to USD 2 billion in education and healthcare funding. Safety nets are also important, and Brown said he wants to have an announcement on the vulnerability fund from the G20. The UK is also considering trade finance support options to provide tens of billions in credits. HMG is also looking at SDRs, gold sales, and sovereign wealth funds. This will all mean a substantial package of measures for the short, medium and long term. Access to resources, he noted, is as important as additional money. He concluded by saying that conditionalities of the past are not the right way of looking at this and noted the need for strong African voices.

¶17. (U) Meeting Participants included the following:

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UK Prime Minister Gordon Brown
UK Development Secretary Douglas Alexander
UK Foreign Office Minister for Africa Mark Malloch-Brown
UK Development Junior Minister for Africa Ivan Lewis
UK Financial Secretary to the Treasury Stephen Timms
Tanzanian President Jakaya Kikwete
Liberian President Ellen Johnson-Sirleaf
Botswana President Seretse Ian Khama
Ethiopian Prime Minister Meles Zenawi
Kenyan Prime Minister Raila Odinga
South African Finance Minister Trevor Manuel
Nigerian Finance Minister Mansur Muhtar
Egyptian Finance Minister Youssef Boutros-Ghali
Rwandan Finance Minister James Musoni
Tanzanian Finance Minister Mustafa Mkulo
Botswana Finance Minister Baledzi Gaolathe
Cameroonian Finance Minister Lazare Essimi Menye
Cape Verde Finance Minister Cristina Duarte
Mozambican Central Bank Governor Ernesto Gove
Botswana Central Bank Governor Linah Mohohlo
Algerian Central Bank Governor Mohamed Laksaci

Governor of the Bank of Central African States (BEAC)
Philibert Andzembe
African Union Commission Chairperson Jean Ping
UN Under-Secretary-General and Executive Secretary of the
Economic
Commission for Africa Abdoulie Janneh
President African Development Bank Donald Kaberuka
Africa Progress Panel Michael Keating
AU Commissioner for the Economy Maxwell Mkwezalamba

Prime Minister Gordon Brown's Remarks

18. (U) Begin text:

Can I first of all welcome you all to London. This is one of the most important meetings we will have. The world economy is in a recession that is affecting every continent and affecting, as you know, every country, and it is our duty to do everything that we can, first of all, to relieve the pressure that people are facing as a result of the downturn, and Africa knows more about these problems than any continent in the world; and secondly, to prepare ourselves to get out of the downturn by taking the right decisions for the future.

Now that is why I am so pleased that President Kikwete, President Khama, President Johnson-Sirleaf, Prime Minister Odinga and Prime Minister Meles Zenawi are all here with us today and I am very pleased that Trevor (Manuel), as Head of the Group of the Finance Ministers that has been involved in making proposals to us, is also here.

And I want us to come out of this meeting today with not only a determination that every continent, and that means Africa, has its fair share of support over the next few months, but equally every continent feels that it can play a part in drawing up the plan for recovery.

There will be of course representatives at the G20. I know

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that your preference is also for reform of the international system and I agree with you that big changes need to be made in the representation and the quotas and the allocations for individual countries and individual continents, and I believe that that wish will come out of the G20 meeting.

Now in dealing with this global crisis, the first thing that we have got to do is to make sure that where we can we protect people against the impact of this crisis. And Douglas Alexander has announced that we will make our contribution to a World Bank Social Protection Fund, and we are calling on all countries to make such a contribution. There is a need for a safety net against the vulnerabilities that people face. We know that 100 million more people are being forced into poverty, we know that half a million children a year could die as a result of the absence of healthcare because of the deterioration of the finances of families. So that is the first thing - we have got to protect people, and provide real help now for people in difficulty.

The second thing is that we have got to make sure that every continent has the ability to protect itself against the banking failures that have happened. A situation that started in America and spread to the rest of the world is now affecting the poorest countries most, and we want the different international institutions to be in a position to support whatever restructuring of the financial system is necessary, and to support the funds flowing again to businesses to invest.

And that leads on to the third point - and that is trade. We know that there is an interruption in trade taking place. We know that this will be the first year in 30 years that trade has actually fallen, and we know that the impact of that is mostly on the poorest countries. So we have to find a way in

which we can stop protectionism, encourage people to sign up to Doha - which has of course the effect of releasing about four billion of extra resources for infrastructure and other support for development - and monitor what is happening. If other countries are adopting protectionist policies we will know about it and the world is in a position to take action. But perhaps most of all we have to make available trade credits to enable trade to flow round the world and enable Europe to trade with each other and others to trade with you. And this is one of the main aspects of policies that we need to discuss at the G20 and your views on this would be most welcome.

And then to the international institutions themselves. I have said that they need to reform in terms of their representation. I think that they also need to be in a position to provide the resources with less conditionality than we have had in the past. I want the International Monetary Fund to have available a crisis facility, but it will need to be properly resourced. I want the Monetary Fund also to be able to set up a preventative facility to prevent the damage that could be done if banks fail and if countries are put in a difficult position because of that. We want the World Bank to be in a position to deliver more resources for infrastructure, not as a promise, but in detail this year, as

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a result of advancing their programmes, and I have talked to President Zoellick of the World Bank about what he can do in this respect. We want the World Bank to be in a position to sponsor - with other countries, export credit agencies and the private sector - billions of pounds of trade credits that would enable the flow of trade around the world.

So for the outcome of this G20 meeting we want there to be immediate action, the medium term reforms that are necessary for our financial system. And we want, finally, the big reforms to take place in the International Monetary Fund and the World Bank that were set up in the 1940s that do not meet all the needs that we have in 2009. And when we set up a preventative facility to enable people to draw on it, I want it to be without the conditionality that normally attaches to International Monetary Fund programmes.

I think you can look on this as one of the problems that this globalising world has got to deal with. We have problems of climate change, we have problems of great inequalities between nations. We have problems of security arising from the mobility of people and obviously the insecurity that arises when groups who are violent try to take part. We have also the problem of financial instability.

If we can solve these four big problems of globalisation, then we are able to say that the global economy could start to work in the interests of all those who depend upon it, and we are on the way to building a global society where people can work together for the future.

So the challenge is big. It is not simply about getting out of this financial crisis; it is about building a global economy that is a force for justice on a global scale. I believe that we would be true to the Millennium Development Goals only if we see that solving the present financial crisis is part of building a world that is more equal and more fair and not using the crisis to delay that, but actually seeing the crisis as a means by which we have to move quickly, more quickly indeed, to bring that about.

So I look forward to our discussions and thank you all for being here today.

End text.

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